



INDIANA CHARTER SCHOOL BOARD

# Alternative Accountability System

---

*For Drop-Out Recovery Charter High Schools Authorized by  
the Indiana Charter School Board*

December 2012

For more information, please visit the  
Indiana Charter School Board website:  
[www.in.gov/icsb](http://www.in.gov/icsb)

# Alternative Accountability System

## Introduction

The Indiana Charter School Board (“ICSB”) is committed to fulfilling its role as a high-quality charter school authorizer by holding its schools accountable across a variety of performance dimensions. The academic indicators described in this document are rooted in the ICSB’s guiding principles:

- Students First. When performing its duties, the ICSB always assesses whether its actions will further the best interests of students.
- High Expectations. The ICSB expects the charter schools it authorizes to set high academic achievement expectations, develop strong plans for family and community engagement, and adhere to high ethical standards for students, staff and board members. Similarly, the ICSB establishes high performance expectations, engagement plans and ethical standards for itself.
- Excellence in Leadership. Operating a high-performing charter school requires excellent leadership from school boards and staff. The ICSB authorizes schools that can demonstrate strong leadership at both the school governance and administrative levels.
- Commitment to Innovation. The ICSB is particularly interested in operators that show strong potential to accelerate student success through dramatically different school models, instructional strategies, uses of technology, staffing models, governance arrangements, family and community engagement strategies, and other approaches.
- Rigorous and Transparent Accountability. The ICSB holds schools accountable for performance through rigorous and transparent accountability mechanisms that uphold schools’ autonomy, foster excellence, and protect student and public interests. In turn, the ICSB is held to a high performance bar by the State Board of Education.

In addition, the accountability system strives to achieve the appropriate balance between an authorizer’s obligation to protect student and public interests and uphold school autonomy.

The core components of the ICSB accountability system are the charter agreement and the Accountability Plan, which is incorporated into the charter agreement. The Accountability Plan consists of a set of standard goals and outcome measures across three performance dimensions: academic success, financial health, and organizational compliance. The academic success goals and outcome measures described in this document have been adapted to address the unique circumstances of charter high schools that serve a large percentage of students who have previously dropped out of high school. These outcome measures enable the ICSB to assess on a consistent basis the performance of each drop-out recovery high school within its portfolio. A school’s progress as measured against the Accountability Plan performance dimensions is assessed through a combination of written reports, data submission, and school site visits. This collective body of evidence is used to assess school performance over the charter term and also forms the basis for charter renewal decisions. To ensure full transparency, ICSB performance assessments will be reported annually to the school’s leader and Board of Directors. It is the intent of the ICSB that annual assessments will encourage constructive dialogue among the school’s leadership team regarding continuous improvement efforts.

## Site Visits

One of the most important ways that the ICSB gathers performance information about the schools it authorizes is through site visits. Site visits allow the authorizer to observe the school firsthand, interact with key stakeholders, and corroborate school-reported information. Pre-Opening site visits are conducted at least once prior to the start of the school's first year. Once a school has opened its doors and is serving students, the ICSB regularly conducts Formal, Monitoring and End-of-Term site visits.

Pre-Opening Site Visit: A charter school's ability to successfully fulfill the terms of its charter agreement depends a great deal upon what happens before the doors of the school ever open. Some of the most complicated tasks and critical timelines occur during a charter school's pre-operational year(s).

Guided by a detailed Prior Action Checklist, ICSB staff members work with each new school to ensure that it is ready to start its first school year in full compliance with education, financial, health, legal, safety and other requirements. Progress toward completion of Prior Action Checklist items will be regularly assessed by ICSB staff. In addition, the school should anticipate a minimum of one Pre-Opening site visit. For additional guidance, please refer to the Prior Action Checklist attached to the charter agreement and posted on the ICSB website.

Formal Site Visit: Formal site visits are conducted in the Fall of each year to gauge the school's progress toward meeting academic success, financial health, and organizational compliance goals. Formal site visits are conducted by ICSB staff members and/or their authorized designees, who interview key stakeholders, conduct classroom observations, review documentation, and attend a Board meeting. Written feedback is provided to the Board of Directors and school leadership.

Monitoring Site Visit: In addition to Formal site visits, ICSB staff members conduct informal Monitoring site visits for follow-up oversight, special events, and general check-ins. One Monitoring site visit is held each year and consists of a meeting with the school's leadership and staff. In addition, the ICSB may conduct Monitoring site visits at other times throughout the year to fulfill its authorizer duties. Reasons for additional monitoring visits may include, but are not limited to: follow-up on implementation of improvement plans, documentation of best practices, or investigation of a complaint. Such visits may be impromptu or without notice. At its discretion, ICSB staff may opt not to conduct Monitoring visits for schools that are performing well across all Accountability Plan dimensions.

End-of-Term Site Visit: The End-of-Term site visit is conducted by ICSB staff and expert external evaluators in the Fall of Year 5. This site visit is conducted after a school has submitted a Charter Renewal Application and provides a summative evaluation of the school's performance over the entire term of the charter. Written feedback is provided to the Board of Directors and school leadership and is used to determine charter renewal recommendations. External evaluator fees are paid by the ICSB.

## Reporting Requirements

ICSB reporting requirements are designed to ensure prudent authorizer oversight without overburdening school leaders. State law requires charter schools and the ICSB to submit a variety of data to the Indiana Department of Education throughout the year. In addition, the ICSB requires the submission of an annual report containing school

data and supplemental information that helps to provide a comprehensive picture of overall school performance. The ICSB also requires quarterly financial reporting as described in the charter agreement. Full reporting requirement details are posted on the ICSB website.

### **School Performance Report**

An ICSB-authorized charter school's performance is assessed in accordance with Accountability Plan goals and measures, and through a combination of written reports, data submission, and site visits. Each year, the ICSB will create a School Performance Report that summarizes the school's status in terms of academic success, financial health, and organizational compliance. The School Performance Report serves as the basis for the creation of annual performance targets as required by IC § 20-24-4-1.

The School Performance Report also provides important information about the school to families, students, and the broader community. The Report for each school will be posted on the ICSB website, and will be used to inform the production of the ICSB's annual Accountability Report as required by IC § 20-24-9.

### **Acknowledgements**

In September 2012, the ICSB was awarded an implementation grant from the National Association of Charter School Authorizers' Fund for Authorizing Excellence, in part to devise alternative academic indicators in order to assess with more accuracy the performance of drop-out recovery high schools authorized by the ICSB. The ICSB contracted with national education policy and management consulting firm Public Impact to conduct this work. In addition to contracting with Public Impact, the ICSB consulted with the Indiana Department of Education, the Indiana Department of Workforce Development, and Goodwill Education Initiatives to develop alternative indicators. The ICSB's alternative academic indicators were completed and adopted by ICSB Members in November 2012.

The ICSB gratefully acknowledges the assistance and guidance of the following organizations: the National Association of Charter School Authorizers ("NACSA"), Public Impact, Goodwill Education Initiatives, and the Indiana Department of Workforce Development. In addition, we are indebted to the Accountability staff at the Indiana Department of Education for their assistance in aligning applicable academic performance metrics for drop-out recovery high schools with Indiana's K-12 public school accountability standards.

The financial health and organizational compliance indicators described in this document are identical to those applied to traditional K-12 charter schools authorized by the ICSB. Once again, the ICSB gratefully acknowledges the support of NACSA in developing and refining these indicators and measures.

# **Alternative Accountability System**

## **I. Overview**

The single most important factor that the Indiana Charter School Board (“ICSB”) considers in assessing a drop-out recovery high school’s performance and making charter renewal determinations is the school’s record in generating successful student achievement outcomes. Regardless of the unique circumstances facing the targeted student population, the expectation is that most, if not all, of the students served in a drop-out recovery high school will leave the school fully prepared for post-secondary education or employment.

In order to determine whether a drop-out recovery high school has met this high standard, each school that the ICSB authorizes is required to enter into a performance agreement. This agreement’s primary purpose is to outline the specific student achievement goals that a school agrees to meet and the specific outcome measures that define what constitutes meeting these goals. The agreement also describes financial health and organizational compliance goals and measures. This agreement, known as the “Accountability Plan,” becomes part of the school’s charter. Under the ICSB’s Alternative Accountability System, schools are required to report their yearly progress in meeting the goals contained in their Accountability Plan through an annual report, referred to as the Accountability Plan Progress Report.

In establishing high standards for renewal, the ICSB requires that the Accountability Plan for each of its drop-out recovery charter high schools contains a common set of goals, along with specific measures, that set the same criteria for success for each school. These *required* outcome measures represent the ICSB’s expectations for student learning and achievement at the time of renewal.

This document provides detailed information about the Alternative Accountability System and its performance dimensions.

## **II. Eligibility for Alternative Accountability System Assessment**

Only charter high schools with at least 60% of the students enrolled within the school that 1) belong to a cohort that has already exited high school OR 2) are over the age of 18, may be assessed under this model for ICSB accountability purposes. Eligibility is determined based upon student cohort placement from the previous academic year. For example, a school that opened during the 2012-2013 academic year must have at least 60% of its students either belong to a cohort from 2012 or before, OR be over the age of 18 (the average age of a 4-year graduate). Alternative accountability applies only to charter high schools serving students assigned to Grades 9-12.

The ICSB must apply for alternative accountability status on behalf of the charter school organizer to the State Board of Education (“SBOE”). If approved, the Indiana Department of Education (“IDOE”) will calculate the alternative score. An organizer does not need to repetition the SBOE in future years until such time as the SBOE votes to remove the organizer from an alternative accountability categorization.

A charter school approved for an alternative accountability grade will continue to receive a traditional A-F Model grade. The alternative framework grade will give another assessment of performance that more accurately reflects the work of the school to serve its targeted student population.

### **III. Performance Dimensions Overview**

The Accountability Plan sets forth the goals and measures for the school and is used to evaluate the school's academic performance, financial health, and organizational compliance. At its core, the Accountability Plan poses three critical questions:

- Is the school's educational program a success?
- Is the school in good financial health?
- Is the organization in compliance with applicable laws and regulations, and with the charter?

As stated above, the single most important factor that the ICSB considers in making charter renewal determinations at the end of the five-year charter term is the school's record in generating successful student academic achievement outcomes. However, it is also important that the school maintains good financial health and remains compliant with legal and contractual obligations. Therefore, a school's performance will be assessed across all three dimensions.

Each Accountability Plan performance dimension has multiple indicators of success and the charter school's performance on each indicator will be scored as:

- Exceeds standard;
- Meets standard;
- Improvement Necessary; and
- Does Not Meet Standard.

Accountability Plan performance dimensions will serve as the basis for site visit questions, annual reports, and all performance-related assessments of the school over the five-year charter term.

### **IV. Academic Performance Indicators**

The ICSB's Alternative Accountability academic indicators for drop-out recovery high schools are rooted in Indiana's A-F Model under Public Law 221, and have been adapted to reflect the fact that – by design – drop-out recovery charter high school serve out-of-cohort students.

The academic indicators for drop-out recovery charter high schools begin with a grade level designation under the traditional A-F Model. Because these schools enroll a large number of out-of-cohort students, and therefore any outcomes for these students will not be reflected in the school's letter grade calculation, the school will most likely receive a D or an F.

In order to capture the performance of out-of-cohort students, a charter school must use the following methodology to reassign eligible students to an alternative cohort. This cohort reassignment process applies only to an out-of-cohort student or a student over the age of 18.

1. Each student starts with 4 points.
2. If the student has failed or not taken either the ECA or GQE, 1 point is subtracted.
3. If the student is enrolled before January needing more than 10 credits, or after January needing more than 5 credits, 1 point is subtracted.
4. If the student's TABE grade level equivalency is below 7, 1 point is subtracted.

Students with 0-1 points will be assigned to the Freshman cohort, 2 points to the Sophomore cohort, 3 points to the Junior cohort, and 4 points to the Senior cohort. Students may only be assigned to grades 9 through 12, and may only be placed in an alternative cohort one time. As part of its accountability procedures, the ICSB will verify that cohorts are being reassigned in this manner. Note that all in-cohort students remain in their cohort, as required by Indiana law.

Once eligible students have been placed in an alternative cohort, the ICSB applies the Alternative Accountability criteria. School performance is assessed across three dimensions for both in-cohort and alternative cohort students: graduation rates, college and career readiness, and state assessment results on the English 10 and Algebra 1 ECAs.

The graduation rate is determined using the expected graduation date of in-cohort students and the expected graduation date of alternative cohort students. Students with the same expected graduation date, regardless of when the cohort placement was made, constitute the school's graduation class. Drop-out recovery charter high schools may be required to submit annual student transfer reports to the authorizer, detailing individual mobility codes. Acceptable transfer/mobility codes include: graduation, drop out, transfer for in-cohort students only to a traditional school corporation serving students in Grades 9-12, and transfer for both in-cohort and alternative cohort students to a different dropout recovery charter high school.

College and career readiness for drop-out recovery high schools is assessed using a combination of the following assessment tools: the Advanced Placement (AP) exam, the International Baccalaureate (IB) exam, dual-credit accumulation, course credit in approved Industry Certification courses, and industry certifications. Dual-credit courses, industry certification courses, and industry certifications must be selected from the approved list posted on the ICSB website. Finally, the school is assessed upon the academic proficiency of graduates as measured by the ECA.

Note that the Alternative Accountability academic indicators are being piloted by the State Board of Education during the 2012-2013 academic year. It is probable that some adjustments may be made to specific measures, based upon pilot outcomes.

## **V. TRIGGERS FOR FOLLOW-UP REVIEW AND CORRECTIVE ACTION**

The ICSB carefully monitors each school's performance throughout the five-year charter term. The following outcomes will result in immediate follow-up review and may result in the school's submission of a Corrective Plan as described in Section 15.4 of the charter agreement. Follow-up review will take into consideration unique characteristics of individual school models.

### Category 1: Academic Success

- Indicator 1.1.b, Alternative A-F Model Grade. A school is graded an F in any given year.
- Indicator 1.1.b, Alternative A-F Model Grade. A school is graded a D for two years in a row.
- Indicators 1.2.a., 1.3.a., 1.4.a., or 1.4.b. A school scores a Does Not Meet Standard on individual measures within two or more separate indicators for two years in a row.
- A student transfer audit will be automatically triggered and conducted by the ICSB if students are transferred for reasons other than: graduation, drop out, transfer for in-cohort students only to a traditional school corporation serving students in Grades 9-12, and transfer for both in-cohort and alternative cohort students to a different dropout recovery charter high school. Transfer data will be assessed based upon the school's transfer report, detailing mobility codes. The ICSB will report the outcome of any such audit to the charter school and to the SBOE, and the graduation rate data set will be adjusted per ICSB recommendation to include any students who transfer from the school for unacceptable reasons.

### Category 2: Financial Health

- All Indicators: A school scores two or more "Does Not Meet Standard" in the same year.
- All Indicators: A school scores one "Does Not Meet Standard" for two years in a row.

### Category 3: Organizational Compliance

- All Indicators: A school scores one or more "Does Not Meet Standard" in the same year.

## **VI. CONTINUOUS MONITORING OF ACCOUNTABILITY SYSTEM**

### Alternative Accountability Evolution

In January 2013, the State Board of Education ("SBOE") will initiate the rule-making process for an Alternative Accountability System designed to assess the performance of corporations (i.e., charter high schools) serving a large percentage of students who have dropped out of school at some point in their academic careers. A pilot will be conducted during the 2012-2013 academic year to coincide with the rule-making process. It is probable that some adjustments may be made to specific alternative academic measures, based upon pilot outcomes. The most likely adjustments will be to the graduation rate measures, which are likely too high based upon documented persistence data of the drop-out student population. Any adjustments made during the pilot phase will be incorporated into the ICSB Alternative Accountability System. The ICSB will communicate transparently with its authorized drop-out recovery charter schools regarding any material changes to the ICSB Alternative Accountability System resulting from any changes adopted by the SBOE.



#### Annual Review of ICSB Accountability System

As part of its standard operating procedure, the ICSB has committed to an annual review of its Accountability Plan to ensure the indicators and measures used by the ICSB comply with federal and state accountability requirements and align with best practices promulgated by NACSA. Such review will include soliciting feedback from ICSB-authorized charter schools, and may result in changes to the methodologies described within this document (e.g., the alternative cohort placement methodology). The ICSB will communicate transparently with its authorized charter schools regarding any material changes to the ICSB Accountability System resulting from any changes in ICSB policy.

## CATEGORY 1: ACADEMIC SUCCESS

### 1.1. STATE AND FEDERAL ACCOUNTABILITY

	Y1	Y2	Y3	Y4	Y5
<b>1.1.a. The school is assessed according to Indiana's K-12 Accountability System (A-F Model) under Public Law 221.</b>					
<input type="checkbox"/> School received a letter grade under P.L. 221.					
<b>1.1.b. The school meets standards according to Indiana's Alternative Accountability System (Alternative A-F Model for Drop-Out Recovery High Schools).</b>					
<i>Exceeds Standard:</i>					
<input type="checkbox"/> School received an A under the Alternative Accountability System.					
<i>Meets Standard:</i>					
<input type="checkbox"/> School received a B under the Alternative Accountability System.					
<i>Improvement Necessary:</i>					
<input type="checkbox"/> School received a C under the Alternative Accountability System.					
<i>Does Not Meet Standard:</i>					
<input type="checkbox"/> School received a D or F under the Alternative Accountability System.					
<i>Note: If a school receives an F in any given year, immediate follow-up review is required.</i>					
<b>DATA SOURCE:</b> Indiana Department of Education.					

### 1.2. GRADUATION RATE

	Y1	Y2	Y3	Y4	Y5
<b>1.2.a. Students graduate from high school in 4 years (as defined by the state's four-year graduation rate).</b>					
<i>NOTE: The calculation will include both in-cohort and alternative cohort students. A school must utilize the ICSB-approved alternative cohort assignment process when placing eligible students in an alternative cohort.</i>					
<i>Exceeds Standard:</i>					
<input type="checkbox"/> 75% or more of students graduated from high school in the current school year, OR the school received a graduation rate score of an A (3.51-4.00 points) under the Alternative Accountability Model.					
<i>Meets Standard:</i>					
<input type="checkbox"/> 60% to 74.9% of students graduated from high school in the current school year, OR the school received a graduation rate score of a B (3.00-3.50 points) under the Alternative Accountability Model.					
<i>Improvement Necessary:</i>					
<input type="checkbox"/> 45% to 59.9% of students graduated from high school in the current school year, OR the school received a graduation rate score of a C (2.00-2.99 points) under the Alternative Accountability Model.					
<i>Does Not Meet Standard:</i>					
<input type="checkbox"/> Less than 45% of students graduated from high school in the current school year.					
<b>Bonus Opportunity:</b> Graduation rate score shall be raised by 1 point if 13.2% of students that did not graduate within four (4) years do so in five (5) years. The bonus potential is reflected in the second part of each measure listed above.					

## 1.2. GRADUATION RATE

Y1	Y2	Y3	Y4	Y5
----	----	----	----	----

**DATA SOURCES:** Indiana Department of Education, charter school's annual Accountability Plan Progress Report.

## 1.3. COLLEGE AND CAREER READINESS

Y1	Y2	Y3	Y4	Y5
----	----	----	----	----

**1.3.a. Student performance, dual-credit accumulation and/or industry certification reflects college and career readiness, based on the percentage of non-duplicated graduating students in the current school year achieving at least one of the following college and career readiness indicators:**

- Scored a 3, 4 or a 5 on the AP exam.
- Scored a 4, 5, 6 or 7 on the IB exam.
- Earned 3 or more college transcribed and verifiable credits from the Priority Liberal Arts list.
- Earned a 'C' or higher in a CTE course from the approved CTE Career Pathway course list.
- Earned an industry certification approved by the ICSB.

**Exceeds Standard:**

☐ 50% or more of graduating students in the current school year achieved at least one of the college and career readiness indicators.

**Meets Standard:**

☐ Between 36.8% and 49.9% of graduating students in the current school year achieved at least one of the college and career readiness indicators.

**Improvement Necessary:**

☐ Between 23.4% and 36.7% of graduating students in the current school year achieved at least one of the college and career readiness indicators.

**Does Not Meet Standard:**

☐ Less than 23.4% of graduating students in the current school year achieved at least one of the college and career readiness indicators.

**DATA SOURCES:** Indiana Department of Education, charter school's annual Accountability Plan Progress Report.

## 1.4. STUDENT ACHIEVEMENT (PROFICIENCY)

Y1	Y2	Y3	Y4	Y5
----	----	----	----	----

**1.4.a. Students who graduate achieve proficiency on state assessments in English 10.**

**Exceeds Standard**

☐ 90% or more of graduating students in the current school year met or exceeded proficiency.

**Meets Standard**

☐ Between 80% and 89.9% of graduating students in the current school year met or exceeded proficiency.

**Improvement Necessary**

☐ Between 70% and 79.9% of graduating students in the current school year met or exceeded proficiency.

**Does Not Meet Standard**

☐ Less than 70% of students met or exceeded proficiency.

## 1.4. STUDENT ACHIEVEMENT (PROFICIENCY)

	Y1	Y2	Y3	Y4	Y5
<b>1.4.b. Students who graduate achieve proficiency on state assessments in Algebra 1.</b>					
<i>Exceeds Standard</i>					
<input type="checkbox"/> 90% or more of graduating students in the current school year met or exceeded proficiency.					
<i>Meets Standard</i>					
<input type="checkbox"/> Between 80% and 89.9% of graduating students in the current school year met or exceeded proficiency.					
<i>Improvement Necessary</i>					
<input type="checkbox"/> Between 70% and 79.9% of graduating students in the current school year met or exceeded proficiency.					
<i>Does Not Meet Standard</i>					
<input type="checkbox"/> Less than 70% of graduating students in the current school year met or exceeded proficiency.					
<b>Bonus Opportunity:</b>					
<p>The ICSB would like to add an ECA proficiency improvement bonus; however, there are insufficient data with which to determine appropriate measures and “cut scores”. Therefore, schools will be asked to collect and report the following data each year: Improvement in ECA passage percentage from when students entered, until they exited, for three different data points: students retained for 81 days, 90 days, and 100 days. Days must be consecutive; no pause is allowed to reflect students who drop out and return later on.</p> <p>Once sufficient data have been collected across participating schools, the ICSB will coordinate with the SBOE to determine measures by which to calculate a bonus.</p>					

## ALTERNATIVE ACCOUNTABILITY GRADE CALCULATION

	Y1	Y2	Y3	Y4	Y5
<b>A preliminary Alternative Accountability Grade is determined by weighting each indicator in the following manner:</b>					
<b>Graduation Rate: 40%, College and Career Readiness: 30%, English 10 ECA Passage Rate: 15%, and Algebra 1 ECA Passage Rate: 15%</b>					
<b>PENALTY:</b>					
<p>One (1) point will be subtracted from the Alternative Accountability score if fewer than 80% of students who fail either the English 10 or Algebra 1 ECA after two administrations receive a waiver diploma without also receiving an ICSB-approved industry certification.</p> <p><b>NOTE:</b> The 80% rate applies to the 2012-2013 academic year. During the 2013-2014 academic year, this will increase to 87.5%. Beginning with the 2014-2015 academic year, the rate will increase to 95% and remain in effect from that point forward.</p>					
<b>The Final Alternative Accountability Grade is determined using the following scores:</b>					
3.51-4.00 = A					
3.00-3.50 = B					
2.00-2.99 = C					
1.00-1.99 = D					
0.00-0.99 = F					

## CATEGORY 2: FINANCIAL HEALTH

A school that is in financial distress is at risk for closing down and disrupting the education of enrolled students. Therefore, assessing the financial health of a charter school is an integral part of an authorizer's accountability responsibilities.

The following table summarizes the indicators by which the financial health of a school is assessed by the ICSB. A school that scores two or more "Does Not Meet Standard" in one year, or one "Does Not Meet Standard" for two years in a row, is in questionable financial health and warrants an in-depth financial review and possible corrective action. Note that some financial indicators are absolute, and a school either does or does not meet the standard.

Finally, please note that several of the indicators include a three year trend analysis. Therefore, the Year 1 and Year 2 outcomes consider financial data from prior fiscal years. The process for evaluating schools that have been open for less than five years is addressed in the individual indicators.

**NOTE:** Throughout this document, financial statements will be referred to in the common, for-profit nomenclature for easier reference. For example, the Balance Sheet is synonymous with the Statement of Financial Position and also with the Statement of Net Assets.

ICSB FINANCIAL HEALTH INDICATORS					
Combined Financial Indicators	Year 1	Year 2	Year 3	Year 4	Year 5
<b>Near-Term Indicators</b>					
2.1.a. Current Ratio					
2.1.b. Days Cash on Hand					
2.1.c. Enrollment Variance					
2.1.d. Debt Default					
<b>Sustainability Indicators</b>					
2.2.a. Total Margin					
2.2.b. Debt to Asset Ratio					
2.2.c. Cash Flow					
2.2.d. Debt Service Coverage Ratio					
<b>DATA SOURCES:</b> Audited financial statements, including notes to the audited financial statements; charter school board-approved budget with enrollment targets; actual enrollment information; annual debt schedule indicating the total principal and interest due.					

## 2.1 NEAR-TERM INDICATORS

Y1	Y2	Y3	Y4	Y5
----	----	----	----	----

2.1.a. Current Ratio: Current Assets divided by Current Liabilities				
<p><b>Definition:</b> The current ratio depicts the relationship between a school's current assets and current liabilities. The current ratio measures a school's ability to pay its obligations over the next 12 months. A current ratio of greater than 1.0 indicates that the school's current assets exceed its current liabilities, thus indicating ability to meet current obligations. A ratio of less than 1.0 indicates that the school does not have sufficient current assets to cover the current liabilities and is not in a satisfactory position to meet its financial obligations over the next 12 months.</p>				
<p><b>Meets Standard (in one of two ways):</b></p> <p><input type="checkbox"/> Current Ratio is greater than 1.1.</p> <p><input type="checkbox"/> Current Ratio is between 1.0 and 1.1 <i>and</i> one-year trend is positive (current year ratio is higher than last year's).</p> <p><b>NOTE:</b> For schools in their first year of operation, the current ratio must be greater than 1.1.</p>				
<p><b>Does Not Meet Standard:</b></p> <p><input type="checkbox"/> Does not meet passing options.</p> <p><b>NOTE:</b> If the current ratio is less than 0.9, follow-up review is required.</p>				
2.1.b. Days Cash on Hand: Cash divided by (Total Expenses-Depreciation Expense/365)				
<p><b>Definition:</b> The days cash on hand ratio indicates how many days a school can pay its expenses without another inflow of cash. The days cash ratio tells authorizers whether or not the school has sufficient cash to meet its cash obligations. Depreciation expense is removed from the total expenses denominator because it is not a cash expense. This critical measure takes on additional importance in Indiana, given the reimbursement basis for many state and federal grants.</p>				
<p><b>Meets Standard:</b></p> <p><input type="checkbox"/> 60 days cash.</p> <p><input type="checkbox"/> Between 30 and 60 days cash <i>and</i> one-year trend is positive.</p> <p><b>NOTE:</b> For schools in their first and second years of operation, they must have a minimum of 30 days cash.</p>				
<p><b>Does Not Meet Standard:</b></p> <p><input type="checkbox"/> Days cash and trend do not match passing options above.</p> <p><b>NOTE:</b> If the school has less than 15 days cash, follow-up review is required.</p>				
2.1.c. Enrollment Variance: Actual Enrollment divided by Enrollment Projection in Charter School Board-Approved Budget				
<p><b>Definition:</b> Enrollment variance tells authorizers whether or not the school is meeting its enrollment projections. As enrollment is a key (often the key) driver of revenues, variance is important to track the sufficiency of revenues generated to fund ongoing operations. The enrollment variance depicts actual versus projected enrollment. A school budgets based on projected enrollment but is funded based on actual enrollment; therefore, a school that fails to meet its enrollment targets may not be able to meet its budgeted expenses. Consistently falling short of enrollment projections may indicate that the school is failing to retain students from year-to-year or is not implementing an effective recruitment strategy. It also indicates that the school may lack sufficient</p>				

## 2.1 NEAR-TERM INDICATORS

Y1	Y2	Y3	Y4	Y5
----	----	----	----	----

financial and organizational planning expertise.

### **Meets Standard:**

☐ Enrollment Variance equals or exceeds 95 percent in the most recent year.

### **Does Not Meet Standard:**

☐ Enrollment Variance is less than 95 percent in the most recent year.

**NOTE: If actual enrollment was less than 85% of planned enrollment in the recent year, follow-up review is required.**

### **2.1.d. Debt Default**

**Definition:** Debt default indicates whether or not a school is meeting debt obligations or covenants.

This metric addresses whether or not a school is meeting its loan covenants and/ or is delinquent with its debt service payments. A school that cannot meet the terms of its loan may be in financial distress.

### **Meets Standard:**

☐ School is not in default of loan covenant(s) and/or is not delinquent with debt service payments.

### **Does Not Meet Standard:**

☐ School is in default of loan covenant(s) and/or is delinquent with debt service payments.

## 2.2 SUSTAINABILITY INDICATORS

Y1	Y2	Y3	Y4	Y5
----	----	----	----	----

### 2.2.a. Total Margin: Net Income divided by Total Revenue

#### Aggregated Total Margin: Total Three-Year Net Income divided by Total Three-Year Revenues

**Definition:** Total margin measures the deficit or surplus a school yields out of its total revenues; in other words, it measures whether or not the school is living within its available resources.

The total margin measures whether a school operates at a surplus (more total revenues than expenses) or a deficit (more total expenses than revenues) in a given time period. The total margin is important to track, as schools cannot operate at deficits for a sustained period of time without risk of closure. Though the intent of a school is not to make money, it is important for charters to build, rather than deplete, a reserve to support growth or sustain the school in an uncertain funding environment.

The aggregated three-year total margin is helpful for measuring the long-term financial stability of the school by smoothing the impact of single-year fluctuations on the single-year total margin indicator. The performance of the school in the most recent year, however, is indicative of the sustainability of the school, thus the school must have a positive total margin in the most recent year to meet the standard.

**Meets Standard (in one of two ways):**

☐ Aggregated three-year Total Margin is positive *and* the most recent year Total Margin is positive.

☐ Aggregated three-year Total Margin is greater than -1.5%, the trend is positive for the last two years, *and* the most recent year Total Margin is positive.

**NOTE:** For schools in their first and second year of operation, the cumulative Total Margin must be positive.

**Does Not Meet Standard:**

☐ Profit margin and trend do not meet passing options.

**NOTE:** Follow-up review is required under the following circumstances (in one of two ways):

☐ Aggregated three-year Total Margin is less than or equal to -1.5%.

Note, this calculation is: (Total 3 year net income)/(Total 3 year revenues)

☐ The most recent year Total Margin is less than -10%.

### 2.2.b. Debt to Asset Ratio: Total Liabilities divided by Total Assets

**Definition:** The debt to asset ratio measures the amount of liabilities a school owes versus the assets it owns; in other words, it measures the extent to which the school relies on borrowed funds to finance its operations.

The debt to asset ratio compares the school's liabilities to its assets. Simply put, the ratio demonstrates what a school owes against what it owns. A lower debt to asset ratio generally indicates stronger financial health.

**Meets Standard:**

☐ Debt to Asset Ratio is less than 0.9.

**Does Not Meet Standard:**

☐ Debt to Asset Ratio is greater than 0.9.

**NOTE:** If the Debt to Asset Ratio is greater than 1.0, follow-up review is required.



### 2.2.c. Cash Flow

**Definition:** The cash flow measure indicates a school's change in cash balance from one period to another.

Cash flow indicates the trend in the school's cash balance over a period of time. This measure is similar to days cash on hand but indicates long-term stability versus near-term. Since cash flow fluctuations from year to year can have a long-term impact on a school's financial health, this metric assesses both multi-year cumulative cash flow and annual cash flow. The preferred result is greater than zero. Similar to Total Margin, this measure is not intended to encourage amassing resources instead of deploying them to meet the mission of the organization, but rather to provide for stability in an uncertain funding environment.

**Meets Standard (in one of two ways):**

☐ Three-year cumulative cash flow is positive *and* cash flow is positive each year.

OR

☐ Three-year cumulative cash flow is positive, cash flow is positive in one of two years, and cash flow in the most recent year is positive.

**NOTE:** Schools in their first and second year of operation must have positive cash flow.

**Does Not Meet Standard:**

☐ Three-year cumulative cash flow is positive, but does not meet standard.

**NOTE:** If the school's three-year cumulative cash flow is negative, follow-up review is required.

### 2.2.d. Debt Service Coverage Ratio: $(\text{Net Income} + \text{Depreciation} + \text{Interest Expense}) / (\text{Annual Principal, Interest, and Lease Payments})$

**Definition:** The debt service coverage ratio indicates a school's ability to cover its debt obligations in the current year.

This ratio measures whether or not a school can pay the principal and interest due on its debt based on the current year's net income. Depreciation expense is added back to the net income because it is a non-cash transaction and does not actually cost the school money. The interest expense is added back to the net income because it is one of the expenses an entity is trying to pay, which is why it is included in the denominator.

**Meets Standard:**

☐ Debt Service Coverage Ratio is equal to or exceeds 1.2.

**Does Not Meet Standard:**

☐ Debt Service Coverage Ratio is less than 1.2.

## CATEGORY 3: ORGANIZATIONAL COMPLIANCE

A school that is in material non-compliance with legal or contractual obligations is at risk for closing down and disrupting the education of enrolled students. Therefore, assessing the organizational compliance of a charter school is an integral part of an authorizer's accountability responsibilities.

Authorizers are faced with absolute standards for compliance: legal and contractual requirements are either met or they are not. In assessing a school's organizational compliance across the indicators listed below, the ICSB will adopt a reasonable measure of sufficiency that faults schools for material non-compliance only.

### I. STUDENT PROCEDURES

#### 3.1 ADMISSIONS, ENROLLMENT & RETENTION

	Y1	Y2	Y3	Y4	Y5
<b>3.1.a. The school has conducted lawful, unbiased admissions, enrollment and retention processes including conducting appropriate randomized lotteries where required?</b>					
<p><b>Meets Standard:</b></p> <p>The school has materially complied with admissions, enrollment and retention requirements based on applicable laws, rules, and regulations as well as any relevant provisions of the charter agreement. Any shortcomings or failures to comply have been inadvertent and any adverse consequences have been promptly remedied.</p> <p>See Table 3.1.a below.</p>					
<p><b>Does Not Meet Standard:</b></p> <p>The school has failed, in one or more material respects, to comply with admissions, enrollment and retention requirements based on applicable laws, rules, and regulations as well as any relevant provisions of the charter agreement. Such shortcomings or failures have had adverse consequences and/or have not been promptly remedied.</p>					

	(Yes or No)				
<b>Table 3.1.a. Admissions, Enrollment and Retention</b>	Y1	Y2	Y3	Y4	Y5
<b>Recruitment</b>					
• Followed fair and open recruitment practices					
• Did not seek or use information in ways that would have been discriminatory or otherwise contrary to law					
<b>Lottery process</b>					
• Implemented all required admissions preferences and only allowable					

discretionary preferences					
• Carried out lottery consistent with applicable rules and policies					
<b>Waiting list procedures</b>					
• Compiled and utilized waiting list consistent with applicable rules and policies					
<b>Enrollment</b>					
• Enrolled students in accordance with a lawful admissions policy, lottery results, and waiting list results					
<b>Retention</b>					
• Did not for any reason attempt to persuade or “counsel out” students either in advance of enrollment or thereafter					
<b>DATA SOURCES:</b> Signed statement of assurances submitted annually to ICSB; documented complaints submitted to the school, the ICSB or the Indiana Department of Education, as well as any follow-up reports addressing these complaints.					

## 3.2. STUDENT ATTENDANCE AND DISCIPLINE

	Y1	Y2	Y3	Y4	Y5
<b>3.2.a. The school met attendance goals.</b>					
<b>Meets Standard:</b> In the previous year, school-wide attendance was 95% or better.					
<b>Approaches Standard:</b> In the previous year, school-wide attendance was between 90% and 94%.					
<b>Does Not Meet Standard:</b> In the previous year, school-wide attendance was below 90%.					
<b>3.2.b. The school followed appropriate and lawful student discipline processes.</b>					
<b>Meets Standard:</b> The school has conducted suspensions and expulsions in material compliance with applicable laws, rules, and regulations as well as any relevant provisions of the charter agreement. The school has promptly and effectively remedied shortcomings when identified.					
<b>Does Not Meet Standard:</b> The school has conducted suspensions and/or expulsions in violation of applicable laws, rules, and regulations as well as any relevant provisions of the charter agreement. The school has failed to promptly and effectively remedy shortcomings when identified.					
<b>DATA SOURCES:</b> Indiana Department of Education; signed statement of assurances submitted annually to ICSB; documented complaints submitted to the school, the ICSB or the Indiana Department of Education, as well as any follow-up reports addressing these complaints.					

## II. STUDENT RIGHTS

### 3.3. SPECIAL EDUCATION

	Y1	Y2	Y3	Y4	Y5
<b>3.3.a. The school has respected the rights of students with disabilities under applicable laws, rules and regulations (including the Individuals with Disabilities Education Act, Section 504 of the Rehabilitation Act of 1973, and the Americans with Disabilities Act, and Article 7) and provisions of its charter agreement.</b>					
<p><b>Meets Standard:</b></p> <p>The school consistently treated students with identified disabilities and those suspected of having a disability in accordance with applicable laws, rules and regulations as well as any relevant provisions of the charter agreement.</p> <p>Consistent with the school's status and responsibilities as a Local Educational Agency (LEA):</p> <ul style="list-style-type: none"> <li>• <b>Identification:</b> It consistently complied with rules relating to identification &amp; referral</li> <li>• <b>Operational Compliance:</b> It consistently complied with rules relating to the academic program, assessments, discipline, and all other aspects of the school's program and responsibilities</li> <li>• <b>IEPs:</b> Student Individualized Education Plans and Section 504 plans were appropriately carried out, and confidentiality was maintained</li> <li>• <b>Accessibility:</b> Access to the school's facility and program was provided to students and parents in a lawful manner and consistent with their abilities</li> <li>• <b>Funding:</b> All applicable funding was secured and utilized in ways consistent with applicable laws, rules, regulations and provisions of the school's charter agreement</li> </ul> <p>Any areas of non-compliance were addressed promptly and effectively once identified.</p>					
<p><b>Does Not Meet Standard:</b></p> <p>The school failed to implement its program in the manner described above. It failed to properly execute its duties as an LEA and/or consistently and equitably attend to the educational success of students with disabilities enrolled in the school.</p>					
<p><b>DATA SOURCES:</b> Indiana Department of Education; signed statement of assurances submitted annually to ICSB; documented complaints submitted to the school, the ICSB or the Indiana Department of Education, as well as any follow-up reports addressing these complaints.</p>					

### 3.4. ENGLISH LANGUAGE LEARNERS

	Y1	Y2	Y3	Y4	Y5
<b>3.4.a. The school has respected the rights of English Language Learner (ELL) students under all applicable laws, rules, regulations (including Title III of the Elementary and Secondary Education Act (ESEA) and US Department of Education authorities) and provisions of its charter agreement.</b>					
<p><b>Meets Standard:</b></p> <p>The school complied with English Language Learner requirements and consistently treated ELL students in a manner consistent with all applicable laws, rules, regulations and provisions of the charter agreement.</p> <ul style="list-style-type: none"> <li>• <b>Identification:</b> The school consistently and effectively implemented steps to identify students in need of ELL services</li> <li>• <b>Delivery of Services:</b> Appropriate ELL services were equitably provided to identified students pursuant to the school's policy and educational program</li> <li>• <b>Accommodations:</b> Students were provided with appropriate accommodations on assessments</li> <li>• <b>Exiting:</b> Students were exited from ELL services in accordance with their capacities.</li> </ul>					
<p><b>Does Not Meet Standard:</b></p> <p>The school failed to implement its program in the manner described above.</p>					
<p><b>DATA SOURCES:</b> Indiana Department of Education; signed statement of assurances submitted annually to ICSB; documented complaints submitted to the school, the ICSB or the Indiana Department of Education, as well as any follow-up reports addressing these complaints.</p>					

### 3.5 DUE PROCESS

	Y1	Y2	Y3	Y4	Y5
<b>3.5.a. The school has materially complied with the rights of students.</b>					
<p><b>Meets Standard:</b></p> <p>The school has materially complied with due process protections, civil rights and student liberties requirements. It also respected and deferred to student liberties (including First Amendment protections relating to free speech and religion).</p>					
<p><b>Does Not Meet Standard:</b></p> <p>The school has materially compromised or violated students' civil rights or liberties or has otherwise failed to respect student rights.</p>					
<p><b>DATA SOURCES:</b> Signed statement of assurances submitted annually to ICSB; documented complaints submitted to the school, the ICSB or the Indiana Department of Education, as well as any follow-up reports addressing these complaints.</p>					

### III. GOVERNANCE

#### 3.6 FIDUCIARY RESPONSIBILITIES

	Y1	Y2	Y3	Y4	Y5
<b>3.6.a. The school has complied with applicable laws, rules, regulations and provisions of its charter agreement relating to governance.</b>					
<b>Meets Standard:</b> The school materially complied with applicable laws, rules, regulations and provisions of its charter agreement with regard to governance by its board. This includes, but is not limited to compliance with its: <ul style="list-style-type: none"> <li>• By-laws</li> <li>• Code of ethics</li> <li>• Conflict of interest policy</li> <li>• Open Door Law</li> <li>• Oversight of Educational Management Organization (if applicable)</li> </ul>					
<b>Does Not Meet Standard:</b> The school failed to comply with applicable laws, rules, regulations and the requirements set forth in the school's charter regarding governance by its board.					
<b>DATA SOURCES:</b> Signed statement of assurances submitted annually to ICSB; Accountability Plan Progress Report submitted annual to ICSB; documented complaints submitted to the school, the ICSB or the Indiana Department of Education, as well as any follow-up reports addressing these complaints.					

### IV. FINANCIAL MANAGEMENT AND OVERSIGHT

#### 3.7 FINANCIAL REPORTING, MANAGEMENT AND COMPLIANCE

	Y1	Y2	Y3	Y4	Y5
<b>3.7.a. The school meets financial reporting and compliance requirements.</b>					
<b>Meets Standard:</b> The school met the Financial Reporting Requirements in Table 3.7.a					
<b>Does Not Meet Standard:</b> The school scored "No" in the most recent fiscal year in two or more of the categories in the table below.					

	(Yes or No)				
<b>Table 3.7.a. Financial Reporting, Management and Oversight</b>	Y1	Y2	Y3	Y4	Y5
<b>Budget:</b>					
Was the annual budget submitted on time?					

<b>Quarterly Financial Reports</b>					
Were the quarterly financial reports required by the ICSB submitted on time?					
<b>Audit</b>					
Did the school receive an unqualified opinion from its independent auditor and was the independent annual audit report devoid of significant findings and conditions, material weaknesses, significant internal control weaknesses, and/or ongoing concerns?					
Was the annual independent audit submitted on time?					
<b>Other Reporting Requirements</b>					
Did the school meet all state and federal financial grant reporting requirements?					
Did the school meet all reporting requirements for utilization of particular funds?					
<b>DATA SOURCES:</b> Indiana Department of Education; annual audited financial statements; quarterly and annual ICSB financial reporting requirements.					

## V. HEALTH, SAFETY & FACILITY

### 3.8 SAFETY, SECURITY AND HEALTH

	Y1	Y2	Y3	Y4	Y5
<b>3.8.a. The school complies with applicable laws, rules, regulations and provisions of its charter agreement relating to safety, security and health related services.</b>					
<p><b>Meets Standard:</b></p> <p>The school complied with applicable laws, rules, regulations and provisions of its charter agreement relating safety and security and the provision of health related services to students and the school community, including but not limited to:</p> <ul style="list-style-type: none"> <li>• Fire inspections and related records</li> <li>• Maintaining a viable certificate of occupancy</li> <li>• Maintaining student records and testing materials securely</li> <li>• Maintaining documentation of requisite insurance coverage</li> <li>• Offering appropriate nursing services</li> <li>• Appropriate dispensing of pharmaceuticals</li> <li>• Provision of food services</li> </ul>					
<p><b>Does Not Meet Standard:</b></p> <p>The school failed to implement its program in the manner described above.</p>					
<b>DATA SOURCES:</b> Signed statement of assurances submitted annually to ICSB; documented complaints submitted to the school, the ICSB or the Indiana Department of Education, as well as any follow-up reports addressing these complaints.					